UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

Annual Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the fiscal year ended **December 31, 2004**

Commission file number: **33-3362-D**

KLEENAIR SYSTEMS, INC

(Name of small business issuer in its charter)

State of Nevada	87-0431043
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification #)

27121 Aliso Creek Road, Aliso Viejo, CA 92656
(Address of principal executive offices and zip code)

Issuer's telephone number: (949) 831-1045

Securities registered under Section 12 (g) of the Exchange Act: Common stock, no par value

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: $151,940

The aggregate market value of the voting stock held by non-affiliates of the registrant on December 31, 2004, was $4,454,895 based on the closing stock price on that date.

The number of shares outstanding of the registrant's common stock on December 31, 2004, was 58,100,206 shares.

PART I

Item 1. Description of Business

The Company was incorporated under the laws of the State of Nevada on February 4, 1986, under the name of Covington Capital Corporation. In 1986, the Company filed an S-18 and registered certain stock. From 1989 through 1993, the Company underwent a series of name changes in order to explore various business opportunities. However, none of the business opportunities was successfully completed.

In April, 1995, under the name Investment and Consulting International, Inc., the Company acquired a patent for a proprietary device designed to neutralize nitrogen oxide automobile emissions from a separate Company which was then known as KleenAir Systems, Inc. Simultaneously with the acquisition of the patent, the Company acquired the right to use the corporate name "KleenAir Systems, Inc.," and changed to its current name.

Since acquiring the patent in 1995, the Company has been a developmental stage company and has worked towards the completion of the development and testing of the NOxMaster™ technology. The Company owns U.S. Patent #5,224,346, Engine NOx Reduction System, issued in 1993, U.S. Patent #5,609,026 Engine NOx Reduction System issued in 1997. In 1999 the Company was issued a third patent on Ammonia Injection in NOx Control, U.S. Patent #5,992,141. The Company has applied for and maintained patent protection under the Patent Cooperation Treaty (PCT) to protect its intellectual property in a variety of countries that are significant producers of automotive products.

The Company has applied for additional patents related to its NOxMaster™ technology. In September 2002, U.S. patent # 6,446,940 B1 was issued for the Sonic Flow Carburetor, a new emission control device that atomizes fuel in gasoline powered engines. This process enhances operating efficiency and reduces emissions. Another patent, U.S. # 6,499,463 B1 was issued in December 2002 for a Diesel Fuel Atomizer. This device facilitates improved diesel combustion, lower fuel use, and lower emissions of particulates and CO2.

An additional patent was issued in February 2005, being U.S. Patent # 6,852,292. This patent covers the use of aqueous ammonia, which is ammonia dissolved in water, and which is typically used as household or industrial cleaner. When injected into the exhaust, this liquid solution reduces NOx in the same manner as anhydrous ammonia (a gas), the catalyst in the previous NOxMaster™ versions.

Patent awards have now been confirmed for several European countries including the U.K., Germany, France, Italy, Spain and Sweden, and are anticipated soon for Japan, Brazil, and China.

In May 2002, the Company leased a 10,000 square foot R & D and office facility at 1711 Langley, Irvine, CA 92614. The Company has also acquired a new chassis dynamometer in addition to its engine dynamometer to cope with increasing levels of R & D engine and device testing programs as it prepares for commercializing its technology.

In 2003, the Company successfully completed the final phase of its London Taxi Program funded by a U.K. government grant. This in-service test, involving several London taxicabs, started in January 2002. The Company has been notified that it's NOxMaster™ system has been approved for the Cleanup Register making it eligible for U.K. governmental retrofit subsidies. There are approximately 40,000 such taxicabs in service that represent the potential market opportunity should the system be endorsed as the preferred retrofit product.

The Public Carriage Office (PCO) has mandated the retrofit upgrade of some 17,500 out of the current fleet of approximately 22,000 taxicabs in London. These taxicabs will be required to upgrade to a Euro 3 level (the emissions level currently required of new cabs) during the period between July 1, 2006 and June 2008. The same system being placed on the cabs can also be adapted as a retrofit or OEM product for general diesel-powered passenger vehicles, which represents approximately 45% of the registered and new vehicle market in Europe.

Installation of test systems consisting of a combination of KleenAir System's SCR and Dinex's particulate reduction (DPF) products has resulted in the creation of a new device category by the Energy Savings Trust (EST) called SCRF, the combination of Selective Catalytic Reduction and a Filter. This category receives the Trust's highest level of subsidy. KleenAir's NOxMaster™ System has also been approved for light, medium and heavy duty applications including taxicabs, delivery vans, shuttle buses, single and double-decker large buses, refuse collection vehicles, and

trucks. The Company's strategic partner, Dinex, has been asked by the Energy Savings Trust to retrofit 20 test vehicles during the summer of 2005 for a 6 month trial program of its latest combination SCRF system for reduction of both NOx and Particulates. The NOxMaster™ is an integral part of this combination system.

These approvals open a broad spectrum of potential applications covering a retrofit market opportunity of several hundred thousand vehicles in the U.K. alone. They also set precedents and demonstration opportunities leading to similar applications in other European countries. For example, in Denmark several buses in Copenhagen have had KleenAir Systems successfully installed and tested.

During 2004 a number of additional tests were conducted of a combination of KleenAir's NOxMaster™ System and Adastra's Optimax-DPF fuel borne catalyst system for particulate reduction. Adastra, an Octel (NYSE) company in the U.K., has already had its DPF system approved by the EST for a number of vehicle applications and, on conclusion of the current tests, it is anticipated that the KleenAir/Adastra system will secure entry into the SCRF category.

Systems ordered by several other London Boroughs, and installed on both refuse collection trucks and buses during 2002, have performed well. As a result, those systems have been added to the EST Cleanup Register. As a result, KleenAir and Dinex are now targeting the 100 Air Quality Management Areas (AQMA) established by Local Authorities throughout Britain. These AQMAs have the authority to establish emission rules for their districts in order to improve their local air quality. It is believed that such AQMAs will take actions leading to the need for vehicles in a variety of categories to retrofit emission control devices such as the KleenAir/Dinex products. Approximately 30 systems have been installed in a number of Local Authority AQMA's including Glasgow, Cardiff, and Edinburgh. Orders for an additional several hundred systems have been received and are awaiting funding authorization.

U.S. testing continues of the NOxMaster™ Diesel Catalytic Converter together with its NOxMaster™ Ammonia Injection System to present an integrated system for the elimination of emissions from diesel powered mobile sources. In order to sell the Company's products in California an Executive Order (EO) is required from the State of California. The Company must demonstrate under prescribed testing protocols that its products do not increase the level of exhaust emissions. The Company has received an EO certification from the California Air Resources Board (CARB) for off-road and stationary engine applications. This allows for commencement of sales of the Company's products related to these applications in California. EO certification for on-road applications is expected shortly.

The Company is preparing to meet CARB and EPA Retrofit Verification requirements for heavy-duty vehicles on both its NOxMaster™ NOx reduction system and its Oxidizing Particulate Trap (OPT). It has applied for Retrofit Verification of the combination package of the OPT with the NOxMaster™ for both high particulate reduction as well as high NOx reduction. The EPA has now published its Selective Catalytic Reduction Protocol (SCRP). The absence of this protocol has previously prevented the Company from commencing certification procedures.

In 2003, the Company acquired Carbon Cloth Technologies, Inc. (CCT) of Malibu, California. CCT is a manufacturer of automotive thermal management systems. Carbon Cloth has years of experience developing thermal solutions for such motor sports industry leaders as Ferrari, Mercedes-Benz, and Penske. This experience has enabled development of the CarbonGuard™, a significant addition to the battle on pollution.

The CarbonGuard™ is currently installed on several hundred of New York City Transit Authority buses as enhancements for the operating efficiency of an installed base of particulate traps. Multiple prototype variations have been purchased by a number of automotive OEM manufacturers with a view to their incorporating the CarbonGuard™ for a variety of thermal management applications.

Carbon Cloth Technologies has applied for patents in automotive thermal management systems. At present, this system is used to enhance the effectiveness of particulate filters that need to maintain 300 degrees centigrade for 30% of a vehicle's operating time. At lower temperatures, the filters clog and create back pressure. Wherever particulate filters are currently installed, at present estimated to be at least 30,000 units, the CarbonGuard™ can improve performance and save maintenance expense. Filter technology has come to prominence recently as the Environmental Protection Agency (EPA) and the California Air Resource Board (CARB) have determined that particulate emissions from vehicles are a serious public health problem.

The Company signed a marketing agreement in 2002 with ServoTech. Under this agreement, the Company earns a commission on any ServoTech's SOBRIS™ system sales it may generate. This system is a competing method of NOx emission reduction that utilizes urea and aqueous ammonia in a system that introduces these reductants into an exhaust system. ServoTech is a licensee of Ford Motor Company on SCR injection technology. The SOBRIS™ product is under test and evaluation by a number of automotive manufacturers in the U.S. and Europe.

Once production and sales of the NOxMaster™ and OPTs get to a consistent phase, the Company anticipates employing initially 15 to 20 employees, primarily in management, technical and administrative capacities. The Company is actively seeking sources of funding for its operating capital requirements, both to complete its test and evaluation programs and to support initial sales and production.

The Company has not been involved in any bankruptcy, receivership or similar proceeding.

In May 1997, the Company undertook a one for fifteen reverse split of its common outstanding shares leaving the par value at $.001 per share. The number of issued and outstanding shares was reduced to 362,157 while its authorized shares remained unchanged at 50,000,000. The Series 1 Preferred Shares were similarly effected by the same 1 for 15 reverse split and were reduced to 500,000 shares. In January 2000, the last of the outstanding preferred shares were converted into common shares at a ratio of 1 common share for each share of Series 1 Preferred. In February 2000, the Board of Directors approved a 2 for 1 stock split effective March 20, 2000.

The NOxMaster™ is an electro-mechanical device that substantially reduces the oxides of nitrogen (NOx) from the exhaust gases of cars and trucks (mobile sources) fueled by gasoline, diesel or natural gas.

The purpose of the NOxMaster™ is to reduce NOx emissions to a level substantially lower than the minimum requirements of even the most restrictive state - California. The NOxMaster™ is a one-of-a-kind device, that can effectively accomplish this task and consists of: 1) an ammonia injector located on the engine exhaust system upstream of the catalytic converter; 2) a tank of minimally pressurized ammonia with solenoid operated valves; 3) tubing, wiring, and an electronic controller that senses engine parameters.

A timing pulse from the engine is used to determine certain parameters that indicate NOx production and to trigger a solenoid causing the injection of gaseous ammonia into the exhaust system upstream of the catalytic converter. The chemical reaction that occurs causes the NOx to be reduced to harmless constituents primarily at the initial mixing and secondarily at the catalytic converter. The ammonia injection is programmed to occur only when the engine is operating at specific load and performance conditions.

In addition to a cost effective reduction of NOx emissions from the exhaust, the NOxMaster™ has the potential of aiding the enhancement of engine performance. Controlled reduction of NOx emissions could allow for the re-tuning of the engine for increased efficiency. This would result in increased fuel mileage while continuing to meet the government-set NOx emission standard.

The Company has complemented its NOxMaster™ Ammonia Injection System with a NOxMaster™ Diesel Catalytic Converter for the purpose of applying its NOx reduction technology to diesel fueled engines while also reducing carbon monoxide, hydrocarbon, and particulate emissions from such engines. It has done so through the development of specially formulated ceramic wash-coats that allow for ammonia in the atmosphere and that provide a significant particulate reduction for the retrofit market. It is planning the acquisition of plasma technology capable of much greater reductions of particulate emissions, particularly ultra-fine particulates, the health hazards of which are getting increasing attention by the EPA. Such an integration of an ammonia-based NOx reduction system and a plasma particulate reduction system will be well suited to both the OEM and retrofit markets.

In order to conserve operating capital, the Company currently has two paid full-time employees and. It has retained the services of its management, officers and certain consultants through the issuance of restricted Section 144 common stock.

In June 1996, five employment and consulting contracts with 30 months remaining (and valued at over $1,000,000) were voluntarily terminated by the parties concerned, with no future recourse or liability for the Company, including the employment contracts of Lionel Simons, President and Lester Berriman, Chairman. Mr. Simons and Mr.

Berriman agreed to continue managing and directing the Company without cash compensation until such time as adequate operating capital had been secured for the Company. Peter Cahill resigned from the Board at this time and William H. Ward, Jr. was appointed to the Board to serve along with Mr. Simons and Mr. Berriman.

In December 1996, the Company, having no resources available for the international commercial exploitation of its technology rights, and having no business plan for such exploitation of rights outside of the U.S., entered into a licensee agreement with an officer of the Company. This license was for the exploitation of European rights to the technology for application to gasoline engines and for exploitation of worldwide rights for diesel engines. The agreement called for the Company to receive an 8% royalty plus 30% ownership of a Company to be established overseas. This Company was subsequently formed and called KleenAir Systems International, Inc. It established a wholly owned subsidiary in the U.K. called KleenAir Systems Ltd. During 1998, the U.S. exploitation rights for that portion of the technology relating to diesel engines was transferred back to the Company in exchange for an issuance of restricted shares.

The Company began distribution of its CarbonGuard™ thermal management system during 2002 and has shipped its NOxMaster™ products since 2003.

Management believes that the NOxMaster™ system is unique, well protected by patents, and that it will prove to be effective and marketable after completion of testing. Competition is anticipated from so-called urea systems, such as the SOBRIS™ system, that are more complex and significantly more costly, but whose end result is the creation of ammonia to catalyze a chemical reaction with NOx in the exhaust system.

Development expenses were $172,682 during 2004. During 2003 they were $196,534.

The Company does not intend to deliver an annual report to security holders. The public may read and copy any materials filed with the SEC such as this 10-KSB and 10-QSB reports. The Company is an electronic filer under the SEC's EDGAR filing program. The SEC maintains an Internet site at www.sec.gov that contains such reports and other information filed electronically which is available to all security holders.

Item 2. Description of Property

In May 2002, the Company leased a 10,000 square foot R & D and office facility at 1711 Langley, Irvine, CA 92614. The Company has also acquired a new chassis dynamometer in addition to its engine dynamometer, computers and other test equipment to cope with increasing levels of R & D engine and device testing programs as it prepares for commercializing its technology.

The Company does not engage in mining operations, oil and gas producing activities or real estate activities.

Item 3. Legal Proceedings.

The Company is not currently the subject of any litigation.

Item 4. Submission of Matters to a vote of Security Holders.

There were no submissions to a vote of security holders during 2002.

PART II

Item 5. Market For Common Equity and Related Stockholder Matters.

Market Information: The principal trading market for the common equity securities of the Company is the National Association of Securities Dealers OTC Bulletin Board quotation system. The following are the highs and lows for each quarter for fiscal year ended December 31, 2004 and 2003, respectively. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions.

	2004		2003	
	High	Low	High	Low
1st Quarter	$0.43	$0.20	$0.51	$0.22
2nd Quarter	0.39	0.18	0.35	0.20
3rd Quarter	0.22	0.10	0.35	0.16
4th Quarter	0.16	0.09	0.34	0.20

Shareholders: At December 31, 2004, there were 549 shareholders of record with an additional approximately 64 shareholders registered with firms reporting to the Depository Trust Company.

Dividends: No dividends have been paid in the last two fiscal years.

Item 6. Management's Discussion and Plan of Operation.

RESULTS OF OPERATIONS

Revenues for the year ended 2004 were $41,462 compared to $754,885 for 2003. The Company experienced good sales of its NOxMaster™ product in 2003 before funding in the U.K. was cut off. Funding was expected to be reinstated in 2004, but budget and management wrangling has delayed the renewal of funding for product installations. Cost of goods sold were $38,152 and $647,876, respectively, for 2004 and 2003. Revenue in 2004 was primarily related to sales of products from our subsidiary, Carbon Cloth Technology, with more units being installed on New York City Transit buses.

Gross profit for the year was $3,310 compared to $107,009 during the previous year.

Operating expenses for 2004 were reduced down $816,402 from $2,040,535 in 2003 to $1,224,133 in 2004. The main areas of saving have been in personnel costs, consultant fees, and bad debts.

The loss for the current year was down as a result of the lower operating expenses.

LIQUIDITY AND SOURCES OF CAPITAL

The Company has continued to make private placements of stock to meet its working capital needs and has arrangements in place to sell more stock as and when needed. It also sold part of its stock in Langley Park Investment Trust in London, the proceeds from which have been utilized to meet current working capital requirements. In addition, various officers and directors have made short-term loans to the company as needed. In 2004, private placements plus the sale of the Company's investment in Jubilee Investment Trust met the working capital requirement for the year in the absence of cash generated from sales revenue.

OTHER INFORMATION

In addition to the original U.S. Patent # 5,224,346 acquired in April of 1995, U.S. Patent # 5,609,026 "Engine NOx Reduction" was issued in 1997 after successfully overturning a challenge in Patent Court. International patent rights have been granted for these patents and have been issued for Europe (patent # 5 638 139 covering Germany, France and the U.K.) International coverage extends to certain Asian countries and Canada as well as Brazil and certain other countries. On November 30, 1999 the Company was issued a third patent on "Ammonia Injection in NOx Control", U.S. Patent # 5,992,141. This patent deals with the NOxMaster™ ammonia injection control system and chemical reaction enhancement techniques to ensure optimum effectiveness of the system to achieve maximum NOx reduction. In the opinion of management, this patent significantly strengthens the position of the Company in the exploitation of its technology and increases the value of its future commercial utilization and licensing potential. Management believes that its patent coverage in all the major automobile and truck producing countries provides it with the patent protection necessary to successfully exploit the technology world-wide. Because of the way the accounting rules work, the true value of the patents the Company owns has not been reported in the financial statements.

As a subsequent event, an additional patent was issued in February 2005, U.S. Patent # 6,852,292. This patent covers the use of aqueous ammonia, which is ammonia dissolved in water, and which is typically used as household or industrial cleaner. When injected into the exhaust, this liquid solution reduces NOx in a manner similar to that of anhydrous ammonia (a gas). With these two forms of Selective Catalytic Reductant (SCR), the Company believes it is well-positioned to compete with Urea systems. Urea, the other reductant, systems are the main alternative means of delivering ammonia into the exhaust stream.

Other patents have been applied for that would improve the NOxMaster™ device in specific relation to its reduction of particulate emissions. The Company believes that a system that reduces particulate emissions as well as oxides of nitrogen meets the two major mobile source pollutants of greatest concern to the mandating authorities, such as the EPA and CARB.

The Company continued testing on its Sonic Flow Carburetor with a patent granted in September 2002 (U.S. #6,446,940). This device significantly improves fuel-burning efficiency and reduces emissions on gasoline engines by more effectively atomizing the fuel into very fine particles that results in an even and homogenous distribution throughout the engine cylinders.

The Company is positioning the Sonic Flow Carburetor as a low cost alternative to a fuel injection system for the two-wheel vehicle markets in China and India. It offers more power, greater fuel economy, and lower emissions at a significantly lower cost. In China, some 12 million two-wheel vehicles are manufactured annually. The Company has a test and evaluation agreement with a major manufacturer of some 2 million vehicles. This agreement has the a view of replacing their existing carburetor systems with the Sonic Flow Carburetor

A similar Sonic Flow concept is employed in the Company's new duel fuel injector for which a patent was issued in December 2002. This device is designed to improve operating efficiency and reduce emissions on diesel engines by using regular diesel fuel to commence fuel combustion and then switching to atomized fuel. These new products are the result of following through on the Company's mission to develop technologies that significantly reduce polluting emissions and improve operating efficiencies.

The original product, the NOxMaster™ device is currently being commercialized in the U.K. and Denmark. Retrofit Verification by the EPA and the California Air Resource Board (CARB) has been applied for in the U.S.

Nitrogen Oxides (NOx) are the most difficult auto exhaust pollutants to control. They are not sourced from the engine fuel, but are produced by the oxidation of nitrogen in the combustion of air. Their formation requires high temperature (2500 degrees F and above). The higher the temperature, the more NOx is produced. Thus, NOx is produced in proportion to engine power output and efficiency. Meeting even the current minimum standards requires sacrifices in performance and economy.

The NOxMaster™ utilizes both the non-catalytic reaction that occurs at high temperatures and the catalytic reaction occurring at lower temperatures. Tests have confirmed this approach. Further test data has shown that the desired reaction does occur in the presence of excess air (oxygen) and might even be enhanced by the oxygen. Thus the

NOxMaster™ device gives the manufacturer a method of control that is essentially independent of engine operating parameters and provides new options for economy and performance.

The NOxMaster™ Diesel Catalytic Converter has completed road trials and production. Delivery to overseas customers commenced during the year 2003.

The product can also be distributed in states other than California. An Executive Order (EO) is required in California before distribution can commence. The Company has received an EO from the CARB enabling it to sell its product in the State of California. The EO states that the product does not increase NOx emissions and will allow the Company to sell the product(s) in the state of California. However, the marketplace currently requires qualification for Emission Trading Credits to commence commercialization at this stage.

The Company needs to secure the recently introduced requirement for Retrofit Verification approval from the CARB or EPA for SCR technology in order to qualify for SIP and Emission Trading Credits. These credits enable the user to sell credits to cover the cost of equipment and operations.

The Company initially applied for EPA and CARB Retrofit Verification in the fourth quarter of 2003. This application is in line with the new protocols for Selective Catalytic Reduction (SCR) that have been finalized by those agencies. However, modifications and clarifications of these protocols and certification requirements have delayed the Retrofit Verification Program which is now expected to be completed during the course of 2005. These verifications are necessary to permit sale of the Company's NOxMaster™ system nationwide and to qualify its customers for emission credits.

The emphasis for emission trading credits is on NOx reduction products, thereby satisfying the mobile source emission reduction criteria for "emission credits". The Guidelines for the Generation and Use of Mobile Source Emission Reduction Credits, published by the California Environmental Protection Agency, Air Resources Boards and Mobile Source Emission Reduction Credits were approved by the ARB on February 19, 1993.

The document states that NOx is the only pollutant considered in the guidelines as a reasonable candidate for credit generation. These emission credits are currently traded on a commodity-like exchange and are valued in the range over $20,000 per ton. The Company believes the value of these emission credits will be a very substantial tool in the marketing of the NOxMaster™ products to fleet vehicle owners, especially the diesel transportation industry.

The Company's licensee, ExtEngine Transport Systems LLC, has received Retrofit Verification from the California Air Resource Board (CARB) for an off-road system based on the Company's technology. This system has been under test on some 35 vehicles in Houston for the past two years. With qualification for SIP credits, it is expected that significant additional installations will take place in Houston.

The Company has signed a distribution agreement with DINEX A/S of Denmark and its U.K. subsidiary Dinex U.K. Ltd. Under this agreement DINEX has a non-exclusive right to sell the Company's products in its market area which consists of Scandinavia, U.K., Germany, France, Italy, and Spain.

The Company has signed a Technical Services Agreement with ServoTech Engineering, Inc. of Belleville, Michigan. Under this Agreement, ServoTech will perform hardware and software design and testing services for certain components used in the Company's NOxMaster™ NOx Reduction System. The system is being readied for multiple installations in the U.K. and for Retrofit Verification in the U.S.

ServoTech is a long-time supplier of engineering, prototyping and testing services to Ford Motor Company and other major Detroit based and international automotive manufacturers.

Once production and sales begin, the Company anticipates employing initially 15 to 20 employees, primarily in management, technical and administrative capacities. The Company is actively seeking sources of funding for its operating capital requirements both to complete its test and evaluation programs and to support initial production and sales.

On December 29, 1999 the Company signed a Letter of Intent with ExtEngine Transport Systems, LLC regarding the awarding of licenses for commercial exploitation of the Company's technology in China, India, California and the U.S. Urban and School Bus markets. This was subsequently followed by completion of Licensing Agreements, the exclusive terms of which, if fulfilled, would represent significant income to the Company over the succeeding 10 years. As part of the Agreement, Extengine Transport Systems LLC invested funds in the Company to cover the costs of research and development to fulfill contracts requiring the demonstration of NOx reduction capability with regard to a number of engines supplied by major Chinese automotive companies. Discussions have also been held with various California Transportation Authorities with regard to the testing of the Company's products on its buses as part of the Extengine drive to exploit the Company's technologies in the Urban Bus market.

This license has now, by mutual agreement, been set aside. Extengine no longer has exclusive rights for India and China, but instead has been given exclusive rights for Hong Kong, Korea, and Japan and retains an exclusive in the U.S. Urban Bus market. It also has non-exclusive rights to sale of products utilizing the Company's systems technology in the U.S. and certain other limited territories overseas.

The Company occupies a 10,000 square foot Research and Development facility in Irvine, California where it has expanded its R & D dynomometer testing capabilities and broadened the range of engine types and sizes for which it can customize its products.

Several NOxMaster^{TM} units have been installed and are in service on a number of London Taxicabs. Systems have also been installed on a London Borough 16 passenger Mercedes Sprinter bus and on a number of waste collection trucks in the several other London Boroughs.

In December 2004, the Mayor of London issued a mandate requiring the upgrade to Euro 3 emission standards of all on-road London taxis, a total number of approximately 17,500 vehicles. The Company's system is one of only two that have been approved by the Public Carriage office and the Energy Savings Trust. (The other system is the conversion of the diesel taxis to LPG fuel.)

The Low Emission Zone strategy announced by the Mayor requires that Heavy Goods Vehicles and buses, as well as taxis, effectively meet Euro 3 standards by 2007. This covers the entire area of the London Boroughs. It is estimated that this might affect some 250,000 vehicles of which at least 100,000 will actually be equipped with systems to meet the requirement. The Company expects its position on the EST Clean-up Register for products suitable for this upgrade program will enable it to generate a significant market share.

In March 2004, the Jubilee Investment Trust of London, U.K. acquired $2.1 million of the Company's common stock in exchange for its stock. The Jubilee stock was subsequently sold for $910,569 to meet working capital requirements of the Company.

In September 2004, another investment valued at $1.6 million was made in the Company by the London-based Langley Park Investment Trust in exchange for Langley stock. Subsequent to this transaction, the Company sold a portion of the Langley shares for $104,860.

Disclosure Regarding Forward-Looking Statements

Where this Form 10-KSB includes "forward-looking" statements within the meaning of Section 27A and Section 21E of the Securities Act, the Company desires to take advantage of the "safe harbor" provisions thereof. Therefore, the Company is including this statement for the express purpose of availing itself of the protections of such safe harbor provisions with respect to all of such forward-looking statements. The forward-looking statements in this Form 10-KSB reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ from those anticipated. These risks include, but are not limited to, economic conditions, changes in environmental regulations, the market for venture capital, etc. In this Form 10-KSB, the words "anticipates," "believes," "expects," "intends," "future" and similar expressions identify forward-looking statements. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that may arise after

the date hereof. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this section.

Item 7. Financial Statements

See the Index to Financial Statements on page F-1 following the signature page of this Form 10-KSB.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 8A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this Annual Report, we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer/chief financial officer. Based upon this evaluation, our chief executive officer/chief financial officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report. The Company is presently unable to provide segregation of duties within the Company as a means of internal control. As a result, the Company is presently relying on overriding management short term review procedures until such time as additional funding is provided to hire additional executives to segregate duties within the Company.

During our most recently completed fiscal year ended December 31, 2004, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management including our president and secretary as appropriate, to allow timely decisions regarding required disclosure.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

(b) Changes in internal controls over financial reporting.

There was no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

Item 8B. Other Information

None

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons: Compliance With Section 16(a) of the Exchange Act

Name	Age	Position/Office	Term	Served Since
Lester Berriman	80	Director/ VP-Research	2 years	April 1995
Lionel Simons	70	Director/President/ Secretary/Treasurer	2 years	Dec. 1995
Hamid Servati	52	Director/Consultant	2 years	Nov. 2002

Lester Berriman, P.E., Chairman and VP-Research. A Professional Engineer with a degree in Chemical Engineering, Mr. Berriman leads the Company in its research and development. Mr. Berriman served 20 years as manager of Chemical and Mechanical Engineering for the Southern California laboratories of the Stanford research Institute and 17 years with Dresser Corporate Advanced technology which included 2 years as their Director of the Advanced Technology Center. Mr. Berriman has 21 United States patents and over 80 foreign patents to his credit and is one of the co-developers of the NOxMaster™ technology. Mr. Berriman is also very closely aligned with the California Air Resources Board (CARB) and the South Coast Air Quality Management District (AQMD).

Lionel Simons, President and Secretary. Mr. Simons attended the London School of Economics where he earned his Bachelor of Science in Economics and was awarded one of 7 Leverhume Scholarships. He earned his Masters in Business Administration, majoring in International Business and Marketing, at the Columbia University Graduate School of Business. While Managing Director of Denbyware Ltd. of England, a manufacturing Company with over 1,000 employees, he increased sales from $10 million to $25 million and took the Company public via the London Stock Exchange. As President of Dunn Systems, a medical imaging manufacturing Company with over 150 employees, he increased OEM sales from $3 million to $15 million before merging with a major NASDAQ Company. He spent 2 years with Thunder Engine Company, developers of a 600 hp heavy duty multi- fuel light-weight aluminum engine, and successfully concluded technology transfer agreements with companies in China, Korea and Canada.

Hamid Servati, Vice Chairman. Dr. Servati attended the University of California at Santa Barbara where he earned his undergraduate degrees and his Doctorate in Engineering. He then worked as a contract consulting engineer to Ford Motor Company in Detroit from 1984 to 1987 when he founded ServoTech, of which he is President and CEO. He became a tier one supplier to Ford in 1989, providing a variety of consulting engineering services. He also founded ServoTech Industries, Inc., a manufacturer of prototypes and high precision components for the automotive and related industries.

Item 10. Executive Compensation

Mr. Berriman, Mr. Simons and Mr. Zabsky voluntarily terminated employment and consulting contracts with the Company in mid-1996 and the Company, with their consent, also terminated a stock option and compensation plan for Directors. In 2001, the Company awarded the following non-cash stock compensation for services rendered:

(a) SUMMARY COMPENSATION TABLE

		Annual Compensation			
Names and Principle Positions	Year	Salary	Bonus	Other Annual Compensation	Market Value
Lionel Simons	2004	$34,347	$ -0-	500,000 shares	$ 33,000
President/Secretary	2003	-0-	-0-	5,000,000 shares	346,500
	2002	-0-	-0-	None	-0-
Lester Berriman	2004	$ -0-	$ -0-	275,000 shares	$ 18,150
Chairman/ VP-Research	2003	-0-	-0-	1,000,000 shares	76,600
	2002	-0-	-0-	None	-0-
Hamid Servati	2004	$ -0-	$ -0-	275,000 shares	$ 18,150
Director/Vice Chairman	2003	-0-	-0-	None	-0-
	2002	-0-	-0-	500,000 shares	87,500 (2)
John Zabsky	2004	$24,000	$ -0-	150,000 shares	$ 9,900 (1)
dba. John Z Co.	2003	24,000	-0-	500,000 shares	34,650 (1)
Consultant	2002	24,000	-0-	None	-0- (1)

(1) Compensation was provided to Mr. Zabsky an outside consultant.
(2) Mr. Servati was issued 500,000 shares valued at $87,500 prior to becoming a director as part of an attempt to acquire 51% of two entities that he owns.

(b) OPTION/STOCK APPRECIATION RIGHTS

No stock options or free standing SARs to executive officers of the Company were granted during 2004.

(c) AGGREGATED OPTION/SAR EXERCISES AND FISCAL YEAR END OPTION/SAR VALUE TABLE

There was no exercise of stock options or free standing SARs by executive officers of the Company during 2004.

(d) LONG TERM INCENTIVE PLAN ("LITP") AWARDS TABLE

The Company did not make any long-term incentive plan awards to any executive officer in 2004.

(e) COMPENSATION OF DIRECTORS

No Directors of the Company received cash compensation for their services as Director during 2004.

(f) EMPLOYMENT CONTRACTS

The Company has no employment contracts with executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth a list of persons known to the Company to be the beneficial owner of more than five percent of the Company's voting stock.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Common	Pollution Control, Inc. 328 Bay street Nassau, Bahamas	9,993,877	17.20%
Common	Lionel Simons, 36 Corniche Drive Dana Point, CA 92629	1,214,808 (2)(3)	2.09%
Common	Lester Berriman 18871 Portofino Drive Irvine, CA 92715	2,637,048	5.45%
Common	Prudent Bear Funds, Inc. 8140 Walnut Hill Lane Suite 405 Dallas, TX 75231	3,141,045	5.41%
Common	Jubilee Investment Trust Plc 1 Great Cumberland Place London W1H 7AL	10,026,666	17.26%
Common	Langley Park Investment Trust Plc 30 Farrington Street London EC4A 4HJ	10,000,000	17.21%
Common	John Zabsky 3640 S Main St Santa Ana, CA 92707	1,830,432 (4)	3.15%

(1) All shares presented are common shares. No preferred shares were outstanding at December 31, 2004.

(2) Lionel Simons maintains an indirect controlling beneficial interest in Pollution Control, Inc. through a family trust. See item 12.

(3) The total shares reported as held by Lionel Simons includes 20,000 shares held by Kimberly Simons who is his daughter and 9,800 shares held by Barbara J. Simons who is his wife.

(4) This total represents shares held by Mr. Zabsky in his own name, as well as shares held by John Z Company, a corporation wholly owned by Mr. Zabsky.

The following table sets forth a list of the beneficial ownership in the Company by officers and directors.

Title of Class	Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Common	Lionel Simons 36 Corniche Drive Dana Point, CA 92629	11,208,685 (2)(3)	19.29%
Common	Lester Berriman 18871 Portofino Drive Irvine, CA 92715	2,637,048	4.54%
Common	Hamid Servati 510 Savage Road Belleville, Mi 48111	1,925,000	3.31%
Common	All officers and directors as a group:	15,770,733	27.14%

(1) All shares presented are common shares. No preferred shares were outstanding at December 31, 2004.

(2) Lionel Simons maintains an indirect controlling beneficial interest in Pollution Control, Inc. through a family trust. See item 12.

(3) Total shares reported as held by Lionel Simons includes 20,000 shares held by Kimberly Simons who is his daughter and 9,800 shares held by Barbara J. Simons who is his wife and the shares held by Pollution Control have been attributed to him due to the controlling interest.

Item 12. Certain Relationships and Related Transactions

Lionel Simons, President of KleenAir Systems, Inc. is also President and a beneficial owner of Pollution Control Inc. through family trusts. Mr. Simons has a Power of Attorney from Pollution Control which permits him to vote on its behalf. In addition, Mr. Simons is on the Board of Directors for and serving as President of KleenAir Systems PLC in the U.K. The Company owns a 23% interest in and sells all of its European products to this entity for resell.

Hamid Servati is the President, CEO and controlling owner of ServoTech Industries, Inc. The Company has paid for services and products provided by ServoTech. It has also issued stock in payment of services and products provided by ServoTech.

See also the discussion of related party transactions presented at Note 14 to the financial statements.

Item 13. Exhibits and Reports on Form 8-K

(a) The following documents are filed as a part of this report or are incorporated by reference.

Financial Statements -- The following information has been included in response to Item 8.

Exhibits - The following Exhibits are furnished as a part of this report:

Exhibit No.	Description
23.1	* Consent of Robert Early & Company, P.C.
31	* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	* Certification of Chief Operating Officer pursuant to Section 906 of Sarbanes Oxley Act
32.2	* Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act

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* Filed herewith.

Item 14. Principal Accountant Fees and Services

As of the date of this Report, the Company has not appointed members to an audit committee and, therefore, the respective role of an audit committee has been conducted by the board of directors of the Company. When established, the audit committee's primary function will be to provide advice with respect to the Company's financial matters and to assist the board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, tax and legal compliance. The audit committee's primary duties and responsibilities will be to: (i) serve as an independent and objective party to monitor the Company's financial reporting process and internal control system; (ii) review and appraise the audit efforts of the Company's independent accountant's; (iii) evaluate the Company's quarterly financial performance as well as its compliance with laws and regulations; (iv) oversee management's establishment and enforcement of financial policies and business practices; and (v) provide an open avenue of communication among the independent accountants, management and the board of directors.

The firm of Robert Early & Company, P.C., served as the Company's independent auditors for the years ended December 31, 2004 and 2003. The Board of Directors of the Company, in its discretion, may direct the appointment of different public accountants at any time during the year, if the Board believes that a change would be in the best interests of the stockholders. The Board of Directors has considered the audit fees, audit-related fees, tax fees and other fees paid to the Company's accountants, as disclosed below, and had determined that the payment of such fees is compatible with maintaining the independence of the accountants.

Audit and Audit-Related Fees: The aggregate fees, including expenses, billed by the Company's principal accountant in connection with the audit of our consolidated financial statements for the most recent fiscal year included in our Annual Report on Form 10-KSB; and for the review of our financial information and our quarterly reports on Form 10-QSB during the years ending December 31, 2004 and 2003 were $20,624 and $19,049, respectively. In addition, we incurred accounting review related fees (primarily related to procedures our auditors were required to perform in reviewing potential registration statements and our Form S-8 Registration Statements) of $1,230 in 2004 and $1,384 in 2003, respectively.

Tax Fees: The Company did not incur any fees for tax compliance, tax advice and tax planning by the Company's principal accountant for 2004 and 2003.

All Other Fees: The Company paid its principal accountant $1,700 and $2,500 in 2004 and 2003, respectively, for the services of converting its SEC filings to and filing them in EDGAR format.

SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KLEENAIR SYSTEMS, INC.

Date: April 14, 2005

/s/ LIONEL SIMONS
By: Lionel Simons., President,
Secretary, Principal Accounting
Officer, & Principal Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ LIONEL SIMONS Lionel Simons	Director	April 14, 2005
/s/ LESTER BERRIMAN Lester Berriman	Director	April 14, 2005
/s/ HAMID SERVATI Hamid Servati	Director	April 14, 2005

EXHIBIT 23.1 Consent of Robert Early & Company, P.C.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

We hereby consent to the incorporation by reference into the Form S-8 Registration Statement No. 333-115285 regarding the Stock Compensation Plan of KleenAir Systems, Inc. of our report on the audited financial statements of the Company dated March 31, 2005 which is being included in the annual report on Form 10-KSB of KleenAir Systems, Inc. for the year ended December 31, 2004.

/s/ ROBERT EARLY & COMPANY, P.C.
Robert Early & Company, P.C.

Abilene, Texas
April 13, 2005

EXHIBIT 31 - Certification of Chief Financial Officer and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

CERTIFICATION

I, Lionel Simons, certify that:

1. I have reviewed this annual report on Form 10-KSB of KleenAir Systems, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of the end of the period covered by this annual report (the "Evaluation Date"); and

c) Presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2005

/s/ Lionel Simons
Lionel Simons, Chief Executive Officer and Chief Financial Officer

EXHIBIT 32.1 -- Certification of Chief Operating Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of KleenAir Systems, Inc. (the "Company"), on Form 10-KSB for the period ended December 31, 2004, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Lionel Simons, President and Chief Executive Officer of the Company, hereby certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.ss.1350), that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 14, 2005

/s/ Lionel Simons
Lionel Simons, President and
Chief Executive Officer

EXHIBIT 32.2 -- Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the filing of KleenAir Systems, Inc.(the "Company"), on Form 10-KSB for the period ended December 31, 2004, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Lionel Simons, the Chief Financial Officer of the Company, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C.ss.1350), that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 14, 2005

/s/ Lionel Simons
Lionel Simons, Chief Financial Officer